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Amoco Petroleum Products  
Marketing Business Group

200 East Randolph Drive  
Post Office Box 37707  
Chicago, Illinois 60680-0707

**TO: FIELD MERCHANDISERS  
MARKET MANAGERS**

**FROM: TIM GRABAR**

**DATE: JUNE 19, 1995**

**SUBJECT: RJ REYNOLDS/PHILLIP MORRIS  
CIGARETTE CONTRACTS**

c.c. Arlyn Berg  
Marty Reynolds  
Ski  
Jack Aldworth  
Dave Whitaker

There has been much confusion over the RJ Reynolds and Phillip Morris cigarette display contracts. Both of these programs allow our stores to earn substantial display money. The display money is applied directly to the cigarette category, thus helping us achieve our gross margin dollar goal. The display money is paid directly to Amoco by check, then divided up by store. These permanent displays also generate flex funds. These funds are promotional money paid quarterly. They must be used to promote the category. For example, they can be used for price reductions. They are not given to Amoco in a lump payment, they must be used to promote the category. It is extremely important to the success of the total store that we stay in compliance of these cigarette programs. No other programs generate as much promotional money as cigarettes. Also, cigarettes are 40 percent of our business, therefore these vendors are paying substantial money for their permanent displays. We must do everything possible to stay in compliance. If that means removing candy displays off the counter, then remove them. Permanent candy displays generate no money.

When the cigarette contracts were originally signed, not much time was spent to see if they were complimentary. In other words, could the stores physically fit both the RJ Reynolds and Phillip Morris components around the cage area. We also did not take into account if the two programs would void each other. For example, the Phillip Morris contract calls for the competitor's premium display to be 10 facings wide, two shelves high. The RJ Reynolds original contract calls for their premium display to be as large as Phillip Morris' display, therefore the components of both contracts voided each other out. If the store was in compliance with RJ Reynolds, it would automatically be in non-compliance with Phillip Morris. I have spent a great deal of time working through these issues with our cigarette vendors. We have made revisions to our display contracts so that we will maximize our revenue potential. The following is a brief outline on what needs to be done at store level to be in compliance.

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or PM reps.*

**RJ REYNOLDS**

There are three components to the RJ Reynolds display contract. The monthly funding is \$120 for a self service program and \$81 for a security program.

1. **Full Price/Premium Display**

RJ is authorized to have a eight wide, two shelf display. This display must have a non-illuminated header card. All illuminated signs will be removed and replaced.

2. **Doral Display**

RJ is authorized to have a six wide, two shelf display. This display must have a non-illuminated header card. There are larger Doral displays currently in the stores. These displays will be removed and replaced with a smaller display unit.

3. **Signage**

RJ Reynolds is authorized to have a permanent sign inside the store. The sign will be 15 inches high by 36 inches long. It will weigh approximately two pounds. RJ Reynolds has also agreed to take back all neon signs.

In order for a store to receive payment, all three components must be in compliance. There are no partial payments, therefore if a store has both displays visible but no sign in the store, there still is no payment for that month.

**PHILLIP MORRIS**

There are three components to the Phillip Morris display program. Self-service displays generate \$251 per month. Security displays generate \$167 per month.

1. **Full Price/Premium Display**

Morris is authorized to have two, six wide, two shelf displays for a total of 24 facings. They are to sit side by side and must be displayed in the number one position at the checkout. They should include Marlboro, Merits and Benson & Hedges.

2. **Basic Display**

Morris is authorized to have a two shelf, six wide display of Basic brands.

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or P.M. Reps*

3. Signage

Morris has agreed to provide all stores with a new Marlboro price sign to be hung from the ceiling over their full margin displays. They are currently producing the signs, they should be delivered to the stores in mid July.

Again, once the store receives their price sign, all three components must be in compliance for a store to receive payment. There are no partial payments.

Summary

All stores must have either a self-service or security display program at the checkout. There are suction cup displays available for Kiosk stores. Please make every effort to have a self-service program. Total payments from both companies are \$371 for self-service displays per month and \$248 for security displays per month. A self-service display program generates an extra \$1,476 per year over a security program. Please, do not jeopardize losing your money because of a candy display or change maker. We have agreed with RJ Reynolds that all neon sign removal and Doral display changes will be completed by August 31. These programs are critical. If you have any questions, please call me at 312-856-2544. I have attached letters from RJ Reynolds that authorize their people to make these changes.

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